

**RURAL DEVELOPMENT - MICHIGAN
GUARANTEED RURAL HOUSING (GRH)
LENDER PROGRAM GUIDE**

THE GRH MISSION

- Provide modest housing for moderate income families in rural areas
- Increase involvement of the local community in meeting their own credit needs
- Provide more financing options and choices for applicants
- Reduce the direct cost to the federal government and use of government forms

MAJOR ADVANTAGES TO LENDERS

- Up to 102% (with Guarantee Fee) financing based on appraised value versus purchase price
- No self imposed loan limits; appraisal and repayment ability set limits.
- Loans qualify for the Community Reinvestment Act
- Loans can be purchased by Fannie Mae, Ginnie Mae or Freddie Mac
- 100% of the loan may be sold
- Quick Rural Development turn around time, two days or less
- 2% up-front fee for purchase transactions, 0.3 percent annual fee based on the average scheduled unpaid principal balance of the loan
- Use state and local construction codes for new construction
- Lender may choose to use any state licensed appraiser
- Not restricted to first time home buyers
- No imposed fee structure on lender for processing, etc.
- Short and easy lender approval process
- Program training available for any interested lender, builder, appraiser or real estate broker

For further information go to www.rurdev.usda.gov/mi or contact :

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(202) 720-5964 (TDD)."**

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LOAN PURPOSES

Loans may be made for the following housing acquisition purposes

- New dwellings: manufactured, stick built, modular or condominiums
- Existing dwellings: stick built, modular or condominiums
(Existing Manufactured Housing units are **not** eligible unless currently RD financed)

Most processing fees, closing costs and repairs are eligible to be financed (check with investor)

Refinancing of existing Rural Development GRH loans and Direct 502 loans

RATES, TERMS AND CONDITIONS

Maximum Loan Amounts

- Loans for purchases may be made for up to 100% of market value or sales price or development cost for new construction, plus repairs and fees, whichever is less. (Check with investor for restrictions)
- Loans for refinances can include unpaid debt (P&I), reasonable fees and costs and the 1.5% Guarantee Fee. 0.3 percent annual fee based on the average scheduled unpaid principal balance of the loan. "Cash out" is not allowed for any purpose. For refinances, the total loan can exceed the market value, if needed, for the purpose of financing the Guarantee Fee.

Rates and Terms

- The interest rate will be a fixed rate for a 30 year equal amortized term
- The lender will provide a copy of their interest rate lock sheet verifying that the rate did not exceed the allowable limit on the day it was locked. The rate charged may not exceed the Lender's published VA rate for first mortgage loans with no discount points or the current Federal National Mortgage Association posted yield for 90-day delivery (Actual/Actual) plus six tenths of 1 percent for 30-year fixed rate conventional loans, rounded up to the nearest one-quarter of 1 percent. This index can be found at <https://www.efanniemae.com/sf/refmaterials/hrny/index.jsp>

Fees

- The Lender will pay a Guarantee Fee of 2% of the loan for purchases or 1.5% for refinances, this fee may be passed on to the borrower and financed into the GRH loan
- The Lender will pay an annual fee of 0.3% based on the average scheduled unpaid principal balance of the loan, annual fee calculator may be found at:
<https://usdalinc.sc.egov.usda.gov/USDALincTrainingResourceLib.do>
- The lender may charge fees the same as those they charge on similar type loans

Guaranteed Rural Housing loans may be sold to the following:

- FANNIE MAE, GINNIE MAE OR FREDDIE MAC
- Michigan State Housing Development Authority (MSHDA)
- Another Rural Development Approved Lender

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PROPERTY REQUIREMENTS

We are restricted from loaning in “Urban” areas. Ineligible areas are described on maps available from the Rural Development site www.rurdev.usda.gov/mi, then go to the “Rural Housing Service” link, at that time you can load the maps per county. You may also go to the following website to insert a specific property address to determine eligibility: <http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do>

For existing dwellings the appraiser is to certify that the property meets HUD Handbook 4150.2 and 4905.1. Lender may choose inspector of choice.

New construction must meet state and local codes. (*Housing that is less than one year old and/or has never been occupied is considered as new construction.*)

Private well requirements: A water test is required.

The dwelling should provide sound and adequate housing for the life of the loan. The appraisal needs to state at least 30 years of estimated remaining economic life

A property in a 100 year floodplain, an elevation survey will be required to demonstrate the lowest floor elevation of the habitable space (this includes space in the basement that has been finished) of the dwelling unit is above the 100 year flood level before the property can be approved. If there are mechanicals in a basement (furnace, water heater, etc. those should also be above the 100 year flood elevation for protection). In addition the housing must be served by public utilities that are located and constructed to minimize or eliminate flood damage, or have an on-site water supply and waste disposal system located and constructed to avoid contamination of the water supply (i.e. well head above the 100 year flood elevation) by the septic system due to flooding.

Single family housing units only

In ground swimming pools can be considered on a case by case basis.

No site size limits. However, site value cannot exceed 30% of total appraised value unless value is typical for the area, as indicated by the appraisal, and the site cannot be subdivided into two or more sites.

Condominium projects must meet approval standards of HUD, VA, Fannie Mae or Freddie Mac

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APPLICANT ELIGIBILITY

INCOME CRITERIA

The applicants “**Eligibility Income**” may not exceed the moderate income level listed in the Rural Development instruction

Annual eligibility income includes all income received by the applicant, co-applicant and all other adult members of the household.

Income calculations should be based on a projection of the next twelve months if possible

The following items are subtracted from eligibility income to calculate “Adjusted Income”

- \$480 per each minor child or full time student age 18 or older
- \$480 per household member, who is not the applicant or co-applicant, who is disabled
- \$400 per family for an elderly or disabled applicant
- For elderly families, medical expenses that exceed 3% of gross annual income
- Certain child care expenses for children 12 years and under

“**Qualifying Income**” is used to determine ratios. This income is that which comes from the applicant and co-applicant only. Could be significantly different than eligibility income

PITI (Principal, Interest, Taxes and Insurance) cannot exceed 29% of qualifying income without compensating factors (current housing cost equal or exceeds proposed PITI)

Total Debt Ratio cannot exceed 41%

- Total Debt Ratio consist of PITI plus long term debt with more than six months remaining

Ratio Waivers – The lender may request in writing a waiver to the 29% and 41%. To receive a ratio waiver the following criteria will be evaluated:

1. Strength of credit history. The higher the credit score the stronger it is as a compensating factor.
2. Payment shock created by the purchase and past ability to accumulate savings.
3. The applicant’s income stability and potential for future increased income.

Non taxable income may be grossed up by the applicable federal tax rate

Income verification

- Non self employed applicants, written VOE (Fannie Mae form 1005 or equivalent) and copy of most recent paycheck stub **or** paycheck stubs for the most recent 30 days and W-2s for the previous two tax years and a telephone verification with applicant’s current employer
- Self employed applicants need to submit two years of complete Federal income tax returns, a current profit and loss statement and a current balance statement. Income analysis is required, Fannie Mae forms 1084 and 1088 are recommended for this analysis. See RD AN No. 3727 (1980-D) for further details.

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CREDIT HISTORY

Residential Mortgage Credit Reports are preferred and recommended. Merged reports are acceptable if no discrepancies exist.

The applicant must have a good credit history, some compensating factors are allowed

Applicant's with 640 middle credit score and above, lenders do not need to provide a credit waiver on adverse credit unless:

- A foreclosure within the past 3 years
- Pre-foreclosure activity in the previous 36 months
- Chapter 7 Bankruptcy – Discharged within the past 3 years
- Chapter 13 Bankruptcy – A completed debt restructuring plan within the previous 12 months prior to application
- Late mortgage payments in the most recent 12 months
- Collection accounts remaining open after closing

Less than 640 middle credit score items of concerns include the above and the items listed below:

- More than one thirty day late in the past 12 months
- Debt written off in the past 36 months
- Judgments not paid for at least 12 months
- Collections opened in the past twelve months or older ones that are still open

Loans approved with adverse credit listed in section 1980.345 (d)(1) must be accompanied by a credit waiver. Credit waivers approved by the lender should be fully documented by the underwriter on the underwriting analysis. Properly documented credit waivers must explain the circumstances surrounding the adverse credit with temporary in nature, beyond the applicant's control, and have been removed per section 1980.345 (d)(3)(i). Lender must document the compensating factors considered in support of the underwriting decision and submit the supporting documentation to Rural Development.

580 middle credit score and below with adverse credit is not acceptable

Consumer Credit Counseling – The lender must document that 12 months of the repayment period has elapsed under the plan with all payments made on time and the applicant has received written permission from the counseling Agency to enter into a mortgage transaction.

Applicant(s) must not be currently delinquent on any debts owed to the Federal Government

CAIVRS must be checked and documented on the application

OTHER ELIGIBILITY ISSUES

The applicant cannot own adequate housing in the local commuting area

Assets in excess of \$5,000.00, not utilized in transaction, are subject to an interest earnings calculation, which is added to the annual income for eligibility income limit purpose.

Applicant(s) must be a citizen of the United States or be admitted for permanent residency

The applicant must have the potential ability to occupy the house as their primary residence

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ONLINE ACCESS FOR FORMS AND REGULATIONS

Go to **www.rurdev.usda.gov**, click on “Regulations” then click on “Forms” for the form directory
Or click on “USDA eForms” which are Omniform, fillable forms

LOAN GUARANTEE LIMITS

The Guarantee covers 100% of the first 35% of the original loan amount. The remaining 65% of the loan is shared by Rural Development at 85% and the lender at 15%. Maximum loss covered is 90% of the original loan amount

LOSS PAYMENT PROCESSING

If the property is obtained by the lender at the liquidation, the lender has six months to market and sell the property, after acquisition. The loss will be based on actual sale price and allowable cost.

If after the six months the property is not sold, an appraisal will be completed and the loss will be based off the appraised value and cost to be calculated as a percentage of the appraised value. The lender may also elect this method at the time of acquisition.